



RPC Quarterly Newsletter

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New RPC Leadership, Chinese Progress, and CA Markets

Rice Producers of CA welcomes new Chairman and Vice Chairman:

RPC is pleased to announce Jim Campbell Jr. as the new Chairman for the 2015/16 marketing year. As a third-generation farmer, Jim is a lifelong resident and current rice producer in Colusa County. Jim has served the CA rice industry in various capacities through the years, and is currently a Director in the Princeton Codora Glenn Irrigation district. Jim regularly hosts South Korean delegations that consist of farmers, processors, and even educators to his farm to explain CA rice farming practices. He earned his Bachelor of Science degree in Agricultural Business with a minor in Crop Science for Cal Poly, San Luis Obispo. Jim currently resides in Princeton with his wife, Jolyn, and their two kids, Cade and Kaylee.

RPC is also excited to announce that Dane Nissen, a rice farmer and Warehouse Manager of Strain Ranches, is stepping into the role as Vice Chairman for RPC. Dane brings a diverse wealth of experience and knowledge regarding the CA rice industry, and looks forward to what the future holds.

China Trade Agreement nears completion due to USRPA efforts:

USRPA and RPC members and have been working hard to work through the delays in the Chinese trade protocol for rice. In recent weeks, there finally seems to be some real progress on the US/China rice trade protocol, something that has been in the works for nearly a decade. USRPA has learned from sources

close to APHIS and AQSIQ (China's version of APHIS), an agreement has been reached and is merely awaiting official signatures. Although the trade agreement allows for the entire US to sell rice to China, the implications are expected to be much greater for California.

In recent trips to China to discover market potential and retail distribution strategies, USRPA has found that there are two separate rice growing regions in China. Roughly 35-40% of China's rice crop is a



medium grain type of rice, which is grown primarily in the Northern region where expansion is extremely difficult due to climate restrictions and water scarcity. There is literally snow on the field up until a couple weeks before planting (transplanting). The limitations to the south pertain to water purity and availability.

Jumping down to the southern rice growing region where rice farming is more commercialized and is mostly long grain, expansion is restricted by clean water scarcity and polluted soils.

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Although the Chinese have a noticeably stronger preference for shorter and stickier rice varieties, the cost of production in the South (long grain) is considerably cheaper than in the north (medium grain). This production cost inequality ultimately leads to more long grain production and therefore more long grain consumption. China is now the largest importer of long grain rice in the world. Since China already has the capability of purchasing rice from other origins their, interest in US long grain might not be as strong as the industry would hope. This is especially likely if the Southern states are unable to sell Identity Preserved (IP) rice which many other origins are already doing.

On the flip side, the medium grain picture is a bit different. RPC knows that as the middle class has grown and trade protocols with countries such as Japan have been signed, that China has begun to import medium grain. This imported medium grain is selling at a premium to the current Calrose prices which means there may be some legitimate opportunity for Calrose sales to China in the future. Unfortunately, this demand won't likely materialize overnight, but the grower-supported efforts of USRPA and RPC have and will continue to be key drivers in the passage of this protocol.

Japan tender prices slide despite drought:

This year Japan began issuing tenders in early September. At that time Japan bought two cargos at approximately \$835-840 FOB. This export price would translate to \$14.25-15.25 cash basis depending on the mill. Since then California has won 8 country-specific-quota tenders and one global quota tender. Unfortunately, prices have deteriorated, with the latest sale reported to be \$765 per metric ton.

Despite rumors, this year's Japanese sales are on par with last years for the same period. Although it

appears that we are missing out on an unusual volume of global quota sales we in fact are not. There remains hope that California will be awarded some of the later global quota sales just like last year, which could help turn the market around.

Market update

The cash market has been quiet with very little trading activity to report over the last several weeks. This of course is not uncommon for this time of year as marketers are turned to bidding Japanese tenders and growers are deciding where to market their rice.

RPC and the Future...

RPC is 100% Member/Grower funded, and will be involved in new marketing campaigns, promotional activities, and educational programs in schools that will highlight Calrose Medium Grain rice consumption.

The recent collapse in tender pricing is driving several growers back to pools where there appears to be at least some security. In any given year the pool to cash ration is usually about 70% pool and 30% cash. In bull markets we see pools lose about 10-15% to the cash market. Based on the latest signup we estimate the ration to be about 65% pools and 35% cash.

The general consensus is that the the market is close to bottoming out for the year and that we may see a small rally in January. The extra output in the Southern states and increased production in Turkey and Taiwan will keep a lid on Calrose prices in 2015/16. For now, any significant appreciation in the Calrose market will be derived from an improving world long grain market which most analysts expect will happen courtesy of the El Niño. That said, we are still waiting for a turnaround in the long grain markets.

*Rice Producers of California **DOES NOT** take contributions or support from any particular marketer or marketing group. We are an independent grower group and only get support from growers and related ag businesses.*